THE REPORT OF

THE RENT REVIEW ADVISORY COMMITTEE

TO

THE HONOURABLE ALVIN CURLING
MINISTER OF HOUSING

APRIL 18, 1986

RENT REVIEW ADVISORY COMMITTEE

April 18, 1986

The Honourable Alvin Curling
Minister of Housing
777 Bay Street, 17th Floor
Toronto, Ontario
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Dear Mr Curling:

On behalf of the landlord and tenant members of the Rent Review Advisory Committee, we are pleased to present to you the enclosed Report.

Given the divergent interests of landlords and tenants, this Report represents a blending of often competing points of view. Whereas this report is presented as a package, any significant changes might undermine the integrity of the report and could jeopardize continued support of it by the Committee members.

The Report is also based on the assurances we have received that the Committee will continue to be involved in developing guidelines and regulations, and in the implementation of the legislation.

The Report represents a first step towards an attempt at stabilizing certain existing uncertainties in the rental industry in Ontario. A continued commitment by the government to this effort will be essential to achieving our desired mutual goal.

We are pleased to have had an opportunity to participate in this process and to have had extensive input into legislation which will affect significantly the lives of landlords and tenants throughout the Province.

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Co-Chairman

Mary Hogan
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Respectfully Submitted

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BACKGROUND

RENT REVIEW REFORM

On December 16, 1985, the Goverment of Ontario issued a broad policy on the Reform of Rent Review. The object was to create a rent review system which would:

- effectively protect tenants' rights,
- provide for the equitable treatment of owners of rental property,
- create a climate of confidence and certainty,
- be efficient, consistent and less-adversarial.

The major components of the policy are:

Universal Coverage

- the extension of rent review to cover all privately-owned rental units regardless of date of construction or rent levels.

Elimination of Economic Loss

- for post-1975 buildings, an allowance for legal maximum rents to rise to a level at which investors can achieve a modest rate of return;
- for pre-1976 buildings, the recognition of the need for hardship relief in isolated instances.

Flexible Guideline

- provision for guideline increases which change more slowly than the annual rate of inflation.

Non-adversarial Process

- the implementation of a less-adversarial method for resolving rent review issues, while retaining the right of appeal to an independent hearings board.

Greater Certainty

- the development of clear and consistent regulations and guidelines which provide landlords and tenants with the certainty of equitable treatment.

Operating Cost Allowance

- a major simplification in the treatment of the operating costs of rental housing.

Costs No Longer Borne

- provision for an application to adjust rents where increased financing costs to be allowed in a rent review order are no longer borne.

Rent Registry

- the establishment of a rent registry to record the maximum legal rents, starting with medium and large buildings.

THE RENT REVIEW ADVISORY COMMITTEE

The Minister asked the Rent Review Advisory Committee, composed of nine landlord and nine tenant representatives, to present to him specific recommendations for implementation of the reforms to rent review within the context of government policy announced on December 16, 1985.

THE CONSENSUS

The Committee held numerous meetings as a whole and in various Sub-Committees and Task Teams in order to resolve a multitude of issues.

The Committee reached full agreement on the majority of issues and principles it considered. It achieved agreement in principle on other issues, and has yet to achieve consensus on the details of some.

These positions are itemized on the attached report.

CONCLUSION

The Committee believes that the extensive consultation with landlords and tenants on the proposed changes has been a highly useful and challenging exercise which should result in a system fair to both groups.

2.1 GUIDELINE INCREASE

Text from December '85 Assured Housing Policy:

"From August 1, 1985 and at least to August 1, 1986 owners of rental buildings may increase rents by a maximum of 4% without applying for rent review. Thereafter, the rent guideline will be set annually based on a formula.

The formula will be such that the guideline level will increase if inflation increases and decrease as inflation decreases. However, the guideline will increase and decrease at a rate slower than the change in the rate of inflation. This reform will ensure that the guideline is responsive to changing economic circumstances, while providing protection to both landlords and tenants."

Committee Recommendations:

1. That the "Hypothetical Cost Index" henceforth be known as the Building Operating Cost Index and it be constructed in accordance with the weighting and components in Table 1 (attached). The Building Operating Cost Index and the weighting will be adjusted annually in relation to changes in the components.

2. That there be one guideline, in any year, to be called the Residential Complex Cost Index (R.C.C.I.) which is equal to 2% + 2/3 of the Building Operating Cost Index. The R.C.C.I. product shall be rounded to the nearest 1/10 of one percent.

3. That the guideline formula be embodied in legislation, not in regulation.

4. That the formula be based on a three-year moving average.

5. If Building Operating Cost Index produces a negative value, it will be deemed to be zero.

6. That the annual guideline be effective January 1st, each year, and be available no later than the last week in August of the previous year and be based on the most current data series to achieve these targets.

7. The Building Operating Cost Index should be reviewed and referred to the Rent Review Advisory Committee or its successor in 1989, and periodically thereafter.

8. That where there is a phase-in of rent increases, the maximum legal rent, as defined in the Act, will increase by the statutory guideline plus the applicable portion of the phase-in. The calculation of the operating loss phase-in will reflect the utilization of the guideline.

2.2 OPERATING COST ALLOWANCES

Text from December '85 Assured Housing Policy:

"Under the new system a fixed allowance will be provided for increases in operating expenses as part of the computation of rent increases under rent review. This allowance will be sufficient to maintain a well-managed building. The allowance will increase and decrease in direct proportion to the guideline rate.

In addition, provision has been made for extraordinary cost increases which are beyond the control of landlords, such as major tax increases or substantial increases in utility costs."

Committee Recommendations:

1. That the ultimate goal is simplicity which may require some sacrifice in precision where differences in the appropriate allowance are minimal.

2. That the allowances be based on a percentage of gross potential residential revenue and that the formula be stated in the Act with the actual annual percentage to be in the Regulations; and that the formula be reviewed and referred to the Rent Review Advisory Committee or its successor in 1989.

3. That the operating cost allowance be constructed in accordance with the weighting and components in the Building Operating Cost Index.

4. Operating Cost Allowance is the Residential Complex Cost Index less 1%.

5. That one operating increase allowance apply to all types of buildings and situations, and that the R.C.C.I. formula be reviewed in 1989.

6. That the Ministry of Housing recommend to the Ministry of Municipal Affairs that tenant representatives be added to their Property Standards Committee (done).

7. That for the purposes of calculating financial or economic loss, the applicant should prove his/her operating costs for the first review only, except where an application for rent review has been made within the preceding three years by the same owner upon which actual operating costs can be based.

   Applications for marginal adjustment with respect to an appropriately defined operating cost be allowed within two years of the setting of the original order, provided that in the case of subsequent tenant initiated applications, there has been no change in ownership.

8. A landlord may initiate, and a tenant may respond to an extraordinary operating cost application defined as follows:

   "A change in tax, or a change in one B.O.C.I. component, or a change in one additional on-going cost component which creates a variance of 50% of the B.O.C.I. component or a change of 1% of revenue.

9. That in applications due exclusively to rate changes to existing financing, the landlord is entitled to that adjustment plus the allowable statutory guideline.

2.3 ELIMINATION OF ECONOMIC LOSS AND RETURN ON INVESTMENT

Text from December '85 Assured Housing Policy:

"The Government is including buildings built or first rented after 1975 under the new rent review system. This means that owners of new rental units will, in the future, not be permitted to charge more than economic rents regardless of market conditions.

In the transition of bringing such buildings from outside rent review into a regulated market, provisions must be made for buildings which are presently renting at a loss or below economic levels. Formulae have been developed which will phase in economic rent levels over a period of time if the market permits such rents. These formulae will be examined by the Rent Review Advisory Committee."

Committee Recommendations:

1. That an owner be allowed to value land at appraised market value as of the date the building permit is issued. An owner may submit as evidence an independent professional appraisal.

2. Land may alternatively be valued as at the date the building permit is issued at cost, including up to two years of carrying costs.

3. Mortgage interest pre-payments are an expense and may be considered as a component of financial loss to be capitalized.

4. That buildings, exclusive of land, are to be accepted at cost, including soft costs.

5. The value of a residential complex purchased although not necessarily closed, before April 18, 1986 be the purchase price, including soft costs, and a mechanism be developed to protect the cost base of the clients of merchant builders after that date.

6. That externally prepared statements may be introduced as evidence for the capitalized loss.

7. On buildings first occupied as rental after December 31, 1975 and for which a building permit was issued on or before April 18, 1986, the rate of return to be allowed on capital base, including initial equity plus capitalized financial losses, will be 10%.

8. On buildings for which a building permit is issued after April 18, 1986, the rate of return to be allowed on the capital base, will be set initially at 10% and after January 1, 1987 will be set at the average of the prior three years for the 10-year Canada Bond rate plus 1%.

9. That a procedure be developed to allow for a binding predetermination of the rate of return and other relevant terms prior to the construction of the building. The developer may submit a statement of projected costs and obtain from the Ministry a commitment as to the rents that can be charged conditional on review of actual initial rents and of actual costs, including operating losses, experienced.

10. The rate of interest allowed on capitalized losses will be the relevant equity return rate as defined in number eight above.

11. The maximum legal rent in buildings for which a building permit was issued on or before April 18, 1986 will be determined by a method which, in addition to Residential Complex Costs Index Allowance phases in the largest of: a five-year elimination of economic loss; 5% of rent; and the elimination of financial loss for the prior year.

12. In the case of buildings for which a building permit was issued after April 18, 1986, the maximum legal rent will be set in accordance with the procedures defined in number nine above, which will increase annually by the Residential Complex Cost Index. Any difference from the actual rent charged will be phased in subject to a ceiling on the total rent increase of the highest of the financial loss for the previous year, 10% of rent, and three times the guideline rate of increase. All tenants must be informed of the legal maximum rent and potential phase-ins prior to entering into any tenancy agreement.

13. ARP and GPM debts be treated as full cost pass through of the ARP reduction and full increase in mortgage payment of ARPs and GPMs. These amounts would be added to the statutory guideline when calculating financing costs for the purpose of calculating legal maximum rents.

14. Balloon mortgages (CRSP, CORSP, ORCL and Renterprize) may be present valued and converted to a GPM and added as financing. Otherwise, a formula is to be developed for full cost pass through treatment of such costs. The revenues to the Provincial and Federal Governments from any accelerated prepayment be re-invested to increase the commitments to non-profit housing.

2.4 PRE-1976 AND AFFORDABILITY:

Text from December '85 Assured Housing Policy:

"A number of mostly, but not exclusively, smaller buildings were, in 1975, charging rents well below then prevailing market rents for a variety of reasons. Typically the owners of these smaller buildings bought them with their savings and personal earnings and have maintained them through "sweat equity". Over the years of rent review these buildings have been caught in an unfair and deteriorating situation."

"People, who have invested in Ontario's future, have lost much of the value of their investments, ..."

"The Government is committed to alleviating those situations where chronically depressed units are evident.

"The Government of Ontario ... will examine a way to ensure that low-income tenants do not bear any cost of providing relief for buildings with chronically depressed rents."

Committee Recommendations:

1. On purchase and refinancing of projects:

   a) That financing loss pass through be limited to 5% per year, and not be subject to the 5-year phase-in limitation.

   b) That interest paid on loans after August 1, 1985 to cover capital losses incurred since acquisition, be recovered to the extent of financing up to 85% of acquisition costs.

   c) Relief of hardship can be phased-in in the last year of financial loss providing the two do not exceed 5%, and any excess shall be recovered in the following year.

   d) Where a property has been sold more than once within a three-year period any increased financial loss arising from the subsequent sale would not be considered by the Minister until the phase-in of financial loss and relief of hardship for the preceeding sale or until a period of three years has passed, whichever is the earlier.

2. a) Chronically depressed rents be defined as those below a threshold (to be defined) relative to the average of equivalent units, in terms of quality and location.

   b) Chronically depressed rents to be eliminated by allowances of 2% of revenue per year until the rent reaches the threshold index.

   c) That the deadline for applying for relief of chronically depressed rents be two years after proclamation.

3. Until the Ministry study on chronically depressed rents is completed and analysed (expected to be done by May 1, 1986), all recommendations on the issue are tentative pending confirmation of the assumptions on which the recommendations are based.

2.5 MAINTENANCE:

Text from December '85 Assured Housing Policy:

"Recent studies have indicated a major need for the rehabilitation of our rental housing stock. The new system of rent review will encourage better maintenance and rehabilitation."

Committee Recommendations:

1. There be provincial minimum standards for the maintenance of residential rental premises and the Rent Review Advisory Committee have input into the development of those minimum standards, and establishment of enforcement procedures.

2. There be a Residential Rental Standards Board with the authority to set standards, issue orders regarding work to be done and establish deadlines for that work to be done; establish sanctions; and to extend deadlines, and that work on this continue and be approved by the Rent Review Advisory Committee.

3. When a landlord is in substantial violation of a substantial maintenance Board order, including the deadline, that he is subject to a recoverable stay of rent increases, and if the violation continues for a further time (to be defined), annual rent increases are forfeited unless an extension of the stay has been granted.

4. Notwithstanding number three above, a landlord who is subject to a maintenance order may make an application to the Ministry for a rent increase based on a maintenance and/or capital improvement item in order to comply with the maintenance order, (subject to the provisions contained in Clause 2.7.12 of this Agreement).

5. Landlords whose properties are below minimum standards may be eligible for provincial loans, some of which may be forgiveable, and in the case of chronically depressed units, all of the loan may be forgiveable.

2.6 ADMINISTRATIVE REVIEW

Text from December '85 Assured Housing Policy:

"Under the new system, the process which will initially be used to determine rents, other than those allowed by the established guideline, will be a non-judicial process, which will be carried out by the Ministry and will be referred to as administrative review. Rent review administrators in the field will examine applications and supporting material, review the issues raised by landlords and tenants, and determine the rent increases or decreases according to clearly defined criteria. The process will be carried out in consultation with the landlords and tenants involved.

In support of the actual process of rent review, there will be complementary education and advisory services provided by local offices to ensure a maximum understanding and minimum confusion about rent review.

In the event that a landlord or tenant wishes to appeal this decision, he or she may do so by filing an application with the Rent Review Hearings Board. This new organization will operate as a quasi-judicial agency and will render decisions based on consistent interpretation of rules on any cases referred to it."

Committee Recommendations:

1.(a) "Section 61(a) of Bill 78 be amended to read "conduct any inquiry or inspection of documents or premises the Minister considers necessary";.

(b) Guidelines will specify when the discretionary power to inspect a premises will be appropriate. Where the Minister conducts a technical inspection qualified professionals will be used.

2.(a) There be provision in each of the field offices for a meeting room facility suitable for review of documentation as well as meetings and guidelines will specify when the need for a meeting may not be necessary.

(b) Where necessary, meeting facilities will be provided within reasonable distance of the subject property.

(c) Section 61 will be amended by adding a clause (c) which will read "... the Minister, may schedule a meeting between the parties and where possible at ae and place convenient to the parties.

3. Guidelines will be developed in conjunction with the recommendations arising out of the rent determination issues with a view to creating guidelines that will limit the discretionary powers of administrative review officers.

4. Fees for licenced consultants will be allowed as a capital cost of $25.00 per suite amortized over five years or longer in relation to the life of the capital or financing term.

5. Section 52 will be amended to read as follows:

"There will be an additional Sub-Section (4) to be inserted between the current Sub-Sections (3) and (4) that will provide that the Minister may direct and the party must file any additional material as may be required; and that the current Sub-Section (4) will become Sub-Section (5), the current Sub-Section (5) will become Sub-Section (6), and the current Sub-Section (6) will become Sub-Section (7).

The new Sub-Section (5) will be amended to read "the Minister may extend the date for filing as specified in Sub-Section (3) or (4) for such period of time...".

The new Sub-Section (7) will be amended to read "where the Minister extends the date for filing under Sub-Section (4), or directs additional material to be filed, the Minister shall notify each of the tenants affected...".

6.(a) Section 61 will be amended by adding a clause (d) to indicate that "the Minister in respect of any application under this Act may; (d) require any party to the application to file such additional information as he deems necessary".

(b) Section 61 will be amended by adding a Sub-Section (e) to Section 61 to read as follows:

"the Minister in respect of any application under this Act may, (e) where any party to an application has failed to comply with an order

of the Rent Review Administrator, that Rent Review Administrator may, in his discretion, disallow that portion of the application relating to the failure to comply with the order; or, in appropriate cases, disallow the entire application."

(c) Provisions regarding enforcement and penalties will be reviewed and embodied in the guidelines.

7. The Rent Review Administrator will be required to provide written reasons for his decision on a form to be approved by the Rent Review Advisory Committee which will be limited by guideline to a summary.

8. There will be an ongoing mandate of the Rent Review Advisory Committee to regularly review the Rent Review process which will include a monitoring procedure for ensuring that appeals are conducted in accordance with the spirit and intent of Bill 78.

9. The Rent Review Advisory Committee will provide input on the job profile for the Rent Review Administrator.

10. The circumstances under which the Minister may consent to the withdrawal of an application and terms which may be imposed to be specified in Regulations to the legislation.

11. Submissions to the rent review administrator do not have to be in writing.

12. Landlord-initiated equalization applications without cost increases were agreed.

    Equalization to be phased in over the required length of time at a five percent (5%) cap per year over the statutory guideline.

13. It is recommended that Section 7(b) refer only to the limit imposed by Section 50.

14. Minor errors in the Notice of Increase will not void the Notice provided that the error is not contained in the calculated monetary increased amount or in the required time period.

15. The Notice of Increase for statutory increases will indicate the current legal maximum rent, the current actual rent, if lower, and the increase and rate of increase for each.

16. A mechanism will be found by the Rent Review Advisory Committee to prevent discriminatory rent increases.

17. All rents may be rounded off to the nearest dollar and this rule must be consistently applied to a building in subsequent reviews.

18. Where a Notice of Increase, or an application to rent review has been filed, or an order issued, any person applying to rent be so informed.

19. The Minister may designate a residential complex to be covered by this Act on an application or on his own initiative.

20. Sub-Section 13(3)(a) be amended to read "whether this Act applies to a particular unit or residential complex";

21. Very clear and unequivocal guidelines with examples be determined for the purposes of administering this Sub-Section (13(3)).

22. Recommended that Sub-Section 16(1) be amended by adding the provision that where the original tenant has sub-leased the unit and wishes to maintain his right to receive Notices, the onus rests on that tenant to so notify the landlord and to provide the landlord with a correct and up-to-date mailing address.

23. At any meeting held under Section 61 of the Act, discussions should pertain to application content only; other issues will be referred to the appropriate body as necessary.

24. Change the name of Ministry position to Rent Review Administrator.

25. That there be no stay of an administrator's decision.

26. That the bulk of non-legislative issues be dealt with by Regulation and that to ensure consistency in legal interpretation by the Hearings Board principles relating to the functioning of the Hearings Board be dealt with by Regulation either specifically or by reference to the guidelines in general.

27. That Section 53(1) be amended by adding the following sub-section:

> "the findings of the Minister, in a manner to be prescribed, concerning the standard of maintenance and repair in respect of the residential complex or any rental unit located therein."

28. The only circumstance in which an application to rent review will result in a reduction of the base rent charged is where there is a determination of an illegal rent, but this does not limit the power of the administrator to order an increase of zero.

29. Allow individual tenant-initiated equalization applications after which landlords will have sixty days in which to apply to have a whole building review. In these instances it will be the landlord's responsibility to submit a value schedule for equalization.

30. Section 55(4)(2) in Bill 78 be deleted.

31. The rent review administrator may order an increase of less than the statutory guideline where a tenant establishes failure to meet a standard of maintenance or a deterioration of maintenance.

32. When a change in services has been determined the costs by which rents will be changed are the landlords' costs.

33. To avoid unnecessary applications to rent review, the Rent Review Advisory Committee will recommend methods to add and subtract ancillary services in an effective manner.

34. <u>APPEALS</u>

a) Hearings Board members to be appointed at pleasure with a specific period of one year or more under contract of employment.

b) Hearings Board members be selected according to criteria developed in consultation with the Advisory Committee. Such criteria will highlight the qualities of competence, experience and familiarity with the issues.

c) Rent Review Advisory Committee members participate in the appointment of Hearings Board members.

d) Guidelines developed in consultation with the Advisory Committee spell out the roles and functions of the Hearings Board members, and specify appropriate performance appraisal criteria.

e) The onus of proof at the appeal be on the original applicant.

f) The issues will be limited to those issues raised in the initial application, or at the discretion of the Board as allowed by Regulation.

g) Each party will have a right to a full hearing on all issues raised in the initial application but the parties will be able to limit the issues in dispute on appeal, if all parties to the dispute agree.

h) The evidence allowable be all evidence as of the date of the hearing that is relevant to the issues in dispute.

i) The increase claimed will not be limited to the amount claimed in the original application. Any additional increase awarded will result in changes to the maximum legal rent but will not be collectable until the next unit anniversary date following the expiry of the period covered by the application.

j) There be no filing fees for appeal applications.

k) There be no costs awarded by the Hearings Board.

l) The Hearings Board consist of one Board member, unless either party requests three.

m) Where a three-member appeal panel is instituted, the tenants propose that it be a tripartite panel and the landlords propose that it be an independent panel. This issue is to be reviewed and decided by the Rent Review Advisory Committee.

n) There be provision for a "pre-hearing" meeting with a single Board member in order to:

   i) clarify the issues (narrow or expand);
   ii) determine the parties to the appeal and determine the units potentially affected;

iii) determine whether the appeal is frivolous or vexatious;
iv) correct procedural errors and amend documents;
v) clarify the number and composition of the Appeal Board; and
vi) determine extensions.

35. The time for filing applications for an increase greater than the statutory guideline be:

a) Landlord to submit cost revenue statement at least 90 days prior to the first rent increase;

b) There be a total of up to 45 days prior to the first rent increase to file the tenant response;

c) The Rent Review Administrator shall issue a decision at least 15 days prior to the first rent increase, with a provision to extend, if necessary.

36. The threshold is eliminated.

2.7 CAPITAL IMPROVEMENTS:

Text from December '85 Assured Housing Policy:

"Given the wide range of both mutual and conflicting interests between tenants and landlords on capital expenditures, it is being referred to the Rent Review Advisory Committee for discussion and recommendation. Rules on this that both tenants and landlords agree to will be much better than those created by Government alone.

Committee Recommendations:

1. Capital costs are those costs defined in the current edition of the Residential Tenancy Commission Rent Review Guideline 3.

2. Amortization schedules are those defined in the current Rent Review Guideline 3.

3. That three philosophical principles be accepted.

a) the creation of a positive environment so that deterioration does not occur;

b) strike a balance between dealing with major abusers while avoiding excessive regulation of all;

c) the importance of meaningful dialogue between landlords and tenants on capital expenditure programs, recognizing the rights and responsibilities of landlords to manage their buildings.

4. That landlords be encouraged to eliminate substandard conditions.

5. That time and effort involved in capital expenditures be recognized apart from the aspect of return on capital. Examples included: sweat equity; time spent in negotiating the best contract; supervision of work for quality and cost efficiency.

6. There be provision for pre-determination of capital improvements.

7. That there be an 80% reduction in the previous amount awarded in the case of a recurring capital expenditure where the previous award was made for a period commencing on or after August 1, 1985.

8.(a) That a management allowance of 7.5% be allowed on capital construction items, where performed by outside trades managed by the landlord.

(b) Where the capital construction is performed directly by the landlord or property manager, the costs allowed will be the hard costs plus an allowance of 7.5% for soft costs prior to the 7.5% management allowance provided there is no double accounting.

(c) That a management allowance of 2% be allowed on purchase and installation of appliances and similar items where management effort can be demonstrated.

9. That the interest allowed on capital items be the actual interest rate charged plus the value of guarantees, and/or an imputed rate on landlord equity at an appropriate borrowing rate.

10. Acquisition year capital expenditures will be treated as a normal capital expenditure unless there was an obvious need for repairs which any prudent buyer would take into account for valuation.

11. That a provision be made for joint landlord-tenant applications for capital improvements in a unit, group of units, and any ancillary and common areas.

12. Where a landlord applies for substantial capital improvements, and it is shown at the hearing that the capital is necessitated by ongoing deliberate neglect, the administrator will have discretion to refuse to grant all or part of the capital expense.

13. The Rent Review Advisory Committee will develop a mechanism for implementing 2.7.3(c), acceptable to both sides.

2.8 COSTS NO LONGER BORNE

Text from December '85 Assured Housing Policy:

"Under the present system of rent review, landlords could apply for increases in rents due to higher interest rates charged on mortgages.

No mechanism exists to permit a reduction of rents should interest rates fall and the mortgage is refinanced at lower levels.

The Residential Rent Regulation Act will provide for a review of rent levels in this situation. Specifically, any financing rates that have been used as justification at rent review for higher rents will be subject to rent reduction. The Rent Review Advisory Committee will be asked to examine ways of alerting tenants of their rights to a costs-no-longer-borne rent review."

Committee Recommendations:

1. That costs no longer borne apply only to financing costs in order to reduce an increase in rents previously ordered.

2. That costs no longer borne apply to rate reductions in mortgage financing costs which have been used to justify rent increases where the previous award was made for rate increases on mortgage financing costs for a period commencing on or after August 1, 1985.

3. Costs no longer borne information be triggered by Ministry.

2.9 RENT REGISTRY

Text from December '85 Assured Housing Policy:

"The Government is establishing a registry of the legal maximum rents for all residential rental units in the Province. The rents registered will be based

on rents in effect July 1, 1985. Thereafter the legal maximum rent for each unit will be kept and be available to any tenant who wishes to know the legal rent for any unit. The registry will be accessible province-wide by telephone and through a network of rent review offices."

Committee Recommendation:

1. The intent of the Committee is that any landlord, registering within the prescribed period, who can demonstrate that, had he applied to rent review since 1975, and that the legal rent would now be close to the 1985 rent, will be deemed to have registered a legal rent. This amounts to an amnesty for non-substantial violations.

   Where there have been violations with respect to illegal rents that have resulted in substantial variation between legal and actual rents there will be a two-year appeal period, with both rollback to legal rent and rebate to August 1, 1985. Any rents charged since 1975 can be used in the calculation of legal rents.

   The Rent Review Advisory Committee will advise the Minister further on a proposed definition of "non-substantial" and "substantial" violation.

   Note: To satisfy tenants and reassure landlords at the earliest possible date, the Ministry of Housing has accepted the responsibility to find a method, prior to the commencement of the Registry period, to confirm to owners and tenants that registered rents are legal either by reason of conformation to rent review regulations or by having only non-substantial violations.

2. Where a landlord fails to register by the prescribed date, the liability for rebate will remain 6 years as prescribed by the Statute of Limitations.

3. Any multi-year lease agreement between tenants and landlords respecting units exempt from rent review prior to August 1, 1985 be honoured, notwithstanding the provisions of this or any other Act.

4. Landlords of buildings with 6 or fewer units be encouraged to register immediately, but the legal requirement to register not commence until the Ministry has the capacity to administer the applications effectively. The effective rents will be the rents of July 1, 1985.

5. Where a landlord of a building of six units or less applies to rent review, the building shall be registered and the appropriate time period, if applicable, will commence.

6. With respect to compliance there be a 100% audit of potential substantial violators using all methods.

7. Where a landlord wishes to obtain certification as to the legality of the original rent registered in the registry, prior to the expiry of the two-year appeal period, a system should be devised to obtain such certification upon adequate notice to the tenants and provision of necessary documentation. Tenants will be given an opportunity for input into the certification process.

8. A landlord will have 90 days to register rents. Where a landlord fails to register within three months of the deadline for registration, there will be a stay of statutory increases, and an application for rent increase will not be processed until registration.

9. Notice to each tenant of the rent filed in the registry for his/her unit shall be mailed directly by the Ministry to tenants and the appeal period shall commence within five days of mailing.

10. The registry should show any unexpired portion of an allowed phase-in ordered by the Minister or the Hearings Board.

2.10 ROOMERS, BOARDERS & LODGERS

Text from December '85 Assured Housing Policy:

"A task force of roomers and boarders, landlords and government representatives has been established to address the issues of tenant protection and adequate supply of single room accommodation."

Committee Recommendation:

To extend the protection now contained under the Residential Tenancies Act to Bill 78 for the protection of roomers and boarders. In addition, security of tenure and more permanent economic protection be extended as soon as practically possible to the occupants of these units and appropriate economic protections be provided to both the operators and occupants as determined by the task force now studying this matter.

A guideline is required to draw to the attention of the Ministry that this group is part of the legislation.

2.11 OTHER ISSUES

1. Commencement of a major education program funded by the Ministry and delivered by the Ministry, tenant groups and landlord groups.

2. Commencement of a review of the Landlord and Tenant Act, by Rent Review Advisory Committee or its successor.

3. Licensing of rent review agents and consultants to control the practices of so called "rent reduction services" making contingency fees and under the table coercive arrangements illegal.

4. Legislation to make key money illegal and effective measures to prevent such payments.

5. A series of Provincial initiatives to accelerate creation of, and maintenance of existing affordable rental housing with the new units being provided through co-operative and non-profit programs. The goal is 3,000 units per year in addition to government commitments until the low-end need is satisfied.

6. Apartment hotels or other similar accommodation may make application to the Ministry on the basis of history of use of the building or the units for exemption, however, schemes to remove rent controlled units or buildings from the market will not be legitimatized.

TABLE I

HYPOTHETICAL COST INDEX

	Weight		Proposed Inflation Factor
Super's Salary	5.8		Industrial Hourly Earnings Composite (Ontario)
Super's Rent	1.8		Industrial Hourly Earnings Composite (Ontario)
Insurance	1.6		Homeowner's Insurance (CPI)
Heating	17.9		Combined Oil & Gas (CPI)
Hydro	7.4		Electricity (CPI)
Water	3.2		Water (CPI)
Municipal Taxes	34.3		Municipal Financial Statements
Mgt. & Admin. Overload	8.9		CPI
Int. & Bank Charges	0.6		CPI
Bad Debts	0.5		CPI
Maintenance	15.3	)	
Painting & Decorating	1.8	)	
Cleaning & Janitor	1.3	)	
Elevator Maintenance	0.8	)	
Plumbing Repairs, etc.	2.7	)	Homeowners
Gen. Bldg. Maint.	7.7	)	maintenance
Snow Removal	0.4	)	repairs and
Grounds Keeping	0.7	)	replacements (CPI)
Appliance Repairs	0.2	)	
Accting & Legal	0.6		CPI
Cable T.V.	0.5		"
Miscellaneous	1.1		"
TOTAL	100.0		(May not add due to rounding)